

BURLINGTON INTERNATIONAL AIRPORT
STRATEGIC PLANNING COMMITTEE

Meeting of September 27, 2012

Co-Chairs Councilor Karen Paul and Interim CAO Paul Sisson convened the third meeting of the Committee at 5:40 p.m. on September 27, 2012 at the Hamilton Room of the Burlington International Airport. Present were Co-Chairs Paul and Sisson, Committee members Vince Dober, Jeff Munger, Jeff Schulman, Ernie Pomerleau, Louise Stoll, Ann Beland, VTANG representative Adam Wright for Col. Clark, Ed Colodny (by telephone), Sandy Miller and Michael O'Brien. Also present were Winooski City Manager Deac Decarreau, Airport Commissioners Gene Palumbo and Bill Keogh; Airport Staff Gene Richards, Heather Kendrew and Ryan Betcher; South Burlington City Councilor Roseanne Greco, community members David Deslauriers and Brad Worthern and Staff/Counsel Joseph McNeil.

Co-Chair Paul indicated that the Burlington City Council had taken official action to add City Manager Miller and Mayor O'Brien to the Committee as voting members.

On motion of Jeff Schulman and second by Louise Stoll the agenda for the meeting was approved.

A public forum was then convened by the Co-Chairs. Mr. Deslauriers requested that the Committee be provided full information concerning the procedures which are being followed by the Airport with reference to the residential properties that are being acquired and ultimately moved or demolished. He also indicated that he and the neighborhood would appreciate an increase in the utilization of police/security forces in the area to better protect against the "nefarious activities" which are taking place there. He indicated that an increase in safety and security for that area would be generally helpful.

After a correction from Sandy Miller to the effect that his previous remarks related to the desire that both the Airport and the South Burlington community survive and thrive, the minutes of the meeting of September 13, 2012 were unanimously approved on motion of Vince Dober and second by Sandy Miller. It was also noted that the correct reference should be to Lt. Col. Dan Finegan.

The Committee next agreed to change the order of the agenda to first hear the Airport overview from Interim Director Gene Richards and then turn to discussion of the presentation made at the previous meeting by Steve Baldwin.

Gene Richards began by indicating how excited and proud he was to be serving as Interim Director of Aviation. He noted that the remarks he was about to make were reflective of his individual thinking and had not been formally sanctioned by the Airport Commission or anyone else.

He noted that his first concern as an Airport Commissioner was that the Airport's financial house was not in order. The Airport was falling short of its coverage obligations under its bond resolution and that needed immediate attention. He indicated that he and his fellow Commissioners cut the Airport operating expenses by \$1 million and met coverage requirements. He also indicated that he and the other Commissioners had a concern that they were not receiving the Airport's financial statements in a comprehensive, understandable manner.

He stated that as Interim Director he is proud to say that required coverages have been met for the last 36 months and are now being exceeded. Additionally, with the able assistance of Assistant CAO Rich Goodwin, the financial reporting is complete and easily comprehended.

His second major area of concern related to the large percentage of the Airport's agreements and leases that were unsigned. He stated that at present, by very hard work on the

part of all concerned, 92% of the Airport's leases are now both signed and reflective of market rates. However, he remains concerned about weaknesses that still exist with regard to airline leases. In answer to a question by Ed Colodny, he stated that signed airline leases have not existed since 2006 but that now significant efforts are underway to correct this deficiency as quickly as possible. He advised Mr. Colodny that the rates and charges have been adjusted on an annual basis and that the airlines have been paying the adjusted charges.

Mr. Richards emphasized that Airport safety is a number one priority at BIA and he is proud to say that the field side of the Airport is in amazingly good shape. However, there are existing issues on the terminal side. He noted that a major effort is being made to fill in unleased space, noting that this was a particular need in the FAA building area. However, he noted the tremendous improvements that are about to occur with respect to quality, aesthetics and rates with the arrival of "Skinny Pancake" on the premises. He also noted that Hudson News was making a major reinvestment at the Airport and establishing an area dedicated to the sale of Vermont products. He said the mantra of his leadership will be not to allow any space to sit empty if it can be utilized by paying tenants.

He noted that attention to financial controls is now much greater. For example, the Airport had been paying \$250,000 annually for WIFI services which it is now able to provide without cost.

With regard to the airlines, Mr. Richards indicated that there is a great need to correct a current climate of concern caused by not providing timely information, not providing updated financial obligations in a timely manner and having to backfill for them and generally not treating the airlines with sufficient attention as a most valued tenant.

Mr. Richards also indicated that the Airport could be doing a much better job in the area of marketing. He stated that this was an area that has not been aggressively managed on behalf of BIA. He indicated that the Airport is now intent on increasing its enplaned seats, the people using the Airport and the space available for overnight stays on or near the Airport property.

Mr. Richards handed out three documents for review by the Committee. The first is entitled *BTV Marketing Efforts Fall 2012*, the second is a magazine entitled *Airport Business, August/September 2012*, and the third document is a projection of airline fees for FY2013 and a spreadsheet showing “BTV Contribution to Airline Rates, Historical From 2006 to Budgeted 2013.”

Mr. Ryan Betcher then spoke. He emphasized the huge potential for additional marketing that exist in Quebec and Canada. He noted that the Airport was about to place significant advertising in the 80 cars of the Montreal metro green line which he estimated will be seen by approximately 2million people per week. He also emphasized that the Airport would be working to increase customer utilization from the Montreal south shore and the Sherbrooke area. He noted that the Airport’s website was being completely redesigned to be more interactive, complete and user friendly. He observed that the Airport has received additional revenues approximating \$300,000 by modernizing its leases and attempting to fill empty space. In nearly every case, the guaranteed minimum will be significantly higher than current rates.

Mr. Richards stated that the Airport also was asking for contributions from all of its users and gave the example of a \$2,000 value contribution of sanitary soap from the company that provides janitorial services. He noted that an RFP is being prepared for a pub and grill format restaurant to occupy the space now utilized by the current restaurant tenant.

Mr. Betcher and Mr. Richards observed that the Airport was also concentrating upon “little but important” matters such as making sure that its flight status display boards are accurate and that all boards are working. Co-Chair Paul noted her frustration from time to time with such boards not working at all or being inaccurate.

Mr. Betcher stressed that additional free seating and concessionaires are being planned for the north concourse and that BIA will soon install 50 new electrical outlet and USB port opportunities for those using the Airport in order to provide a better experience. They indicated that they were looking to the range of improvements made by JetBlue at Terminal 5, JFK as examples of what can be accomplished. He noted that an “App” entitled *Fly BT* was also being created to make the relationship between BIA and its customers more interactive.

Messrs Richards and Betcher informed the Committee that BIA has received a \$450,000 US Department of Transportation Development Grant which it intends to utilize to help secure airline service from BIA to Atlanta and/or Charlotte, both of which are believed to be necessary in that Atlanta is #10 and Charlotte is #12 in terms of the destination of passengers flying from BIA. They noted that the initiation of this service has almost occurred before and that Delta Airlines seems to remain very interested in providing it. Co-Chair Paul asked whether \$450,000 was a large of sum in this regard. She was advised that it was more like a small push that would not be able to subsidize either route, but might provide incentive for it. It was observed that both Delta and US Airways are signed on to the Grant. Mr. Betcher observed that BIA is the largest market in the northeast area without service to Atlanta and Charlotte .

Mr. Richards stressed that the Airport is also making a major effort to improve its rate of collection of funds owed to it.

In terms of the condition of Terminal Side facilities, it was stated that there was much room for improvement. For example, the terminal is currently experiencing 42 separate roof leaks; that the roof is in terrible condition and needs to be replaced. This will cost approximately \$700,000 but will occur within the next 90 days. Mr. Richards emphasized that this project was called out as a necessity by Airport staff approximately two years ago, but that the Commission deferred it (mistakenly in retrospect) as a part of its budget cutting efforts.

Gene Richards also told the Committee that the Airport has not been as good a neighbor to South Burlington as its host community as it ought to be. He emphasized the need for much better, more proactive communications between Airport and South Burlington officials, but also stressed that Mayor Weinberger has adopted this as a major effort. Mr. Richards stressed that the same improvement in communications was needed between BIA and Winooski.

The \$5 million grant for housing acquisition was explained. It was stressed that these funds cannot be used for anything except the house program, but in this context there is opportunity to improve the Airport's impact on South Burlington. He noted, however, that the plan for demolition is now on appeal in Vermont Environmental Court and no resolution has yet been ordered. There is vandalism in the neighborhood that the Airport is attempting to deal with, still without sufficient success. In response to a question from Mr. Deslauriers, Mr. Richards indicated that security or law enforcement personnel are dispatched upon receipt of complaints, but the ultimate solution is the receipt of an order from the Court to remove the abandoned buildings.

The tax dispute with the City of South Burlington was mentioned to the Committee as well as the appeal process now under way with regard to South Burlington's stormwater utility.

Mr. Miller observed that South Burlington believes more data is needed from the Airport and that the current year and three prior years are in dispute.

Co-Chair Sisson asked if there was a vision of what the White Street triangle will look like eventually. Mr. Richards responded that the Airport was currently caught in the middle between owners who do want to sell their properties and the City, which doesn't want the Airport to purchase more houses. In answer to a specific question from Roseanne Greco, Mr. Richards stated that 55 houses have already been purchased that BIA would like to remove, and that its plan moving forward is to purchase approximately 2 homes per year.

Sandy Miller stated that it has been hard for the community to visualize exactly what is going on and what the area will look like after the project is completed. He stressed that there is a need to jointly visualize the past, present and future of that area.

Mr. Richards publicly thanked Mr. Pomerleau and the other involved business interest for funding the study accomplished by Mr. Baldwin which has been most helpful. Mr. Dober stressed the need for the Committee to focus on where the Airport has historically been and where it plans to go for the future.

Mr. Richards also noted his belief that the Committee should look at the governance of the Airport, even if it is the last of the tasks accomplished. He stressed his strong belief that both governance and marketing need to change and that BIA simply cannot afford bad management in the future. Ernie Pomerleau offered substantial kudos to Gene Richards for moving the Airport forward so far, so fast.

Ed Colodny expressed the need for the Airport to truly come to grips with the absence of airline lease agreements. He stressed that it is very important to understand whether the airlines themselves were dragging their feet or there were structural issues in BIA management that

prevented attention to this critical task. Ann Beland indicated that from the perspective of JetBlue, communication between BIA Management and the airlines has been bad, and needs much improvement. She stressed that the airlines would also prefer to have signed operating agreements rather than operating on a month to month or year to year type basis.

Heather Kendrew discussed the Projected Airline Fees handout and noted that the Airport was currently receiving about \$48 per square foot for terminal expenses where it could justify charges of \$68 per square foot. She also noted that while the Airport was receiving approximately \$6.21 per enplaned passenger, it could justify charging up to \$9.57 based upon cost actually incurred. Mr. Miller indicated that he saw a need to have extensive conversation about this handout and the effects that would exist at the Airport if it was attempting to recover its full measure of expense. Co-Chair Paul asked for clarification of the Airport's pattern vs. national averages, but Ms. Kendrew responded by indicating that there were so many individual variance that it was not reliable to look at averages.

Commissioner Munger observed that according to trade publication statistics, enplanements in the Montreal airports were showing substantial declines. He observed that BIA must be doing a number of good things to be maintaining its Canadian utilization.

Mr. Richards stressed that while the Airport currently has fewer people flying on many flights, we need to attract utilization of larger aircraft servicing more people. He indicated his belief that if such aircraft were available at BIA the enplanement numbers would be much higher because the market exists.

Mr. Richards indicated that based upon his recent attendance at a conference of airline executives in Washington, DC, he believes the Committee would do very well to hear from the Boyd Group before deciding what consultant to engage if it was going to follow this course. He

stated that the Boyd Group appeared extremely knowledgeable and had indicated a willingness to come to Burlington. This notion was also endorsed by Mr. Munger. Mr. Colodny indicated that the Airport would also do well to hear a presentation from Howard Mann Industries of Washington, DC.

Ms. Paul stated that one of the Committee's charges was to consider all of its options with regard to regionalization, governance and marketing, and that it intended to do so without preconceived results.

Mayor O'Brien stressed that from what he had heard, the Airport needs to be considerably more aggressive in renting the available space that it has. He wondered what proportion of the increase in revenues that was reference was derived from increased rental space as opposed to increased charges.

The Committee then thanked Mr. Richards and his staff for the presentation and noted that staff obviously had been working hard and effectively to improve the Airport.

Committee members then turned their attention to agenda item #4 which is a discussion of the report delivered by Steve Baldwin and a determination as to what to do next. Ernie Pomerleau indicated that as he saw the situation, there were two questions before the Committee. The first was whether it would be wise for the Committee to engage a consultant and, if the answer is yes, the second question is what consultant to use. He emphasized his belief that utilization of a consultant was absolutely necessary to help the Committee determine the best future course for BIA. As to who the consultant will be, he suggested that either the full Committee or a subcommittee hear presentations from all those who were referenced before deciding to go forward.

Mr. Richards stressed that the Airport does not have a significant budget to cover consulting services even though he concurs they are needed. He emphasized that it always prudent to spend \$10 if the result of doing so will produce \$12. Mr. Colodny stressed that airport consultants need to be closely controlled in order to avoid large expense but that the Airport and the Committee need the metrics that such consultants would provide in order to avoid simply floundering. Louise Stoll, Vince Dober and Mayor O'Brien all agreed on the necessity for a consultant, but Mr. Dober stressed that maybe there ought to be delay on consideration of governance issues.

Mr. Miller indicated that he was well passed consideration of whether a consultant was needed and instead focused on the best way to develop an RFP that includes a very tightly controlled scope of work and absolute drop dead deadlines for performance. Co-Chair Paul re-enforced this position and noted that the Committee is supposed to be finished its work by early in 2013. It was agreed that Mr. Richards would put together an RFP draft with help from the Co-Chairs, Mr. McNeil and others and ultimately circulate it to the Committee members for their review and approval.

Mr. Deslauriers suggested that the Committee also converse with the 25 top business flyers from BIA, asking them specifically what their needs are.

There being no further business to discuss at this meeting, the meeting was adjourned at 7:45 p.m.

Joseph E. McNeil,
Committee Clerk